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## Viewing cable 08SANJOSE540, HAPPY FIRST BIRTHDAY! COSTA RICA AND CHINA

If you are new to these pages, please read an introduction on the [structure of a cable](#) as well as how to [discuss them](#) with others. See also the [FAQs](#)

### Understanding cables

Every cable message consists of three parts:

- The top box shows each cables unique reference number, when and by whom it originally was sent, and what its initial classification was.
- The middle box contains the header information that is associated with the cable. It includes information about the receiver(s) as well as a general subject.
- The bottom box presents the body of the cable. The opening can contain a more specific subject, references to other cables ([browse by origin](#) to find them) or additional comment. This is followed by the main contents of the cable: a summary, a collection of specific topics and a comment section.

To understand the justification used for the classification of each cable, please use this [WikiSource](#) article as reference.

### Discussing cables

If you find meaningful or important information in a cable, please link directly to its unique reference number. Linking to a specific paragraph in the body of a cable is also possible by copying the appropriate link (to be found at the paragraph symbol). Please mark messages for social networking services like Twitter with the hash tags **#cablegate** and a hash containing the reference ID e.g. **#08SANJOSE540**.

Reference ID	Created	Released	Classification	Origin
<a href="#">08SANJOSE540</a>	<a href="#">2008-06-23 22:46</a>	<a href="#">2011-08-30 01:44</a>	<a href="#">CONFIDENTIAL</a>	<a href="#">Embassy San Jose</a>

Appears in these articles:

<http://www.nacion.com/2011-03-04/Investigacion/NotasDestacadas/Investigacion2697549.aspx>  
<http://www.nacion.com/2011-03-04/Investigacion/NotasSecundarias/Investigacion2697564.aspx>  
<http://www.nacion.com/2011-03-04/Investigacion/NotaPrincipal/Investigacion2697557.aspx>  
<http://www.nacion.com/2011-03-04/Investigacion/NotasSecundarias/Investigacion2697581.aspx>  
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<http://www.nacion.com/2011-03-04/Investigacion/Relacionados/Investigacion2702554.aspx>

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FM AMEMBASSY SAN JOSE  
TO RUEHC/SECSTATE WASHDC PRIORITY 9871  
INFO RUEHGG/UN SECURITY COUNCIL COLLECTIVE PRIORITY  
RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE PRIORITY  
RUEHB/J/AMEMBASSY BEIJING PRIORITY 0144  
RUEHUB/USINT HAVANA 0041

C O N F I D E N T I A L SAN JOSE 000540

SIPDIS

DEPARTMENT FOR WHA/CEN, IO/UNP, EAP/CM; SOUTHCOTM FOR FPA

REF: A. SAN JOSE 133

[1B.](#) 07 SAN JOSE 1106

[1C.](#) 07 SAN JOSE 1488

[1D.](#) 07 SAN JOSE 1783 AND PREVIOUS

[1E.](#) SAN JOSE 129

Classified By: ADCM David E. Henifin for reason 1.4 (d).

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SUMMARY  
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[11.](#) (C) As Costa Rica's diplomatic relations with the People's Republic of China turn one year old, the David-and-Goliath-sized arrangement continues to work for the benefit of both nations. While China's generous political and financial support to Costa Rica could be short-lived and Costa Rica's sense of self-importance as a regional, possibly hemispheric platform for China's trade in the region appears inflated, this is a serious and dynamic relationship with no signs of letting up. During a May 7 visit to Costa Rica by Vice Premier Hui Liangya, China signed agreements for more than \$50 million in assistance that included 200 police cars and huge grants to the Costa Rican Central Bank for several projects. Though still over the horizon, a Costa Rican-Chinese free trade agreement remains on the agenda.

[12.](#) (C) According to China watchers here:

-- dwindling U.S. donation flows could be filled by China in the short and long term;

-- China helped Costa Rica win a UNSC seat and increased UNSC cooperation;

-- Costa Rica could benefit with better access to a Chinese consumer market of 1.3 billion people;

-- China could use Costa Rica to springboard economically and politically into the rest of Central America; and

-- recognition of China could affect Costa Rica's vaunted defense of human rights around the world, including in Tibet, Cuba and Sudan.

END SUMMARY.

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A LUCRATIVE RECOGNITION PACKAGE . . .  
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[13.](#) (SBU) Returning the favor of President Arias' October 2007 visit to China that helped yield more than \$48 million worth of support to Costa Rica last fall (Ref A), Chinese Vice Premier Hui Liangya visited Costa Rica May 7, signing four new accords with the GOCR that brought goodies totaling more than \$50 million. The Costa Rican MFA's Deputy Director of Foreign Policy, Alejandro Solano, confirmed to us that the deals included: 200 new police cars (not yet delivered); \$10 million in discretionary funding to be used by the GOCR's Planning Ministry; \$40 million from the Chinese Development Bank to the Costa Rican Central Bank, to be used for small business development grants; internships in China for five Central Bank personnel; an additional 20 scholarships for Costa Rican students to study in China; and a memorandum of understanding between the Costa Rican Ministry of the Environment and Energy and the Chinese Ministry of Hydraulic Resources regarding hydro-energy cooperation.

[14.](#) (C) Zhou Chao, Chinese embassy attach, representing the International Department of the Central Committee of the Communist Party of China, told us their strategy was to

"learn" from countries with which China had friendly relations, and "when a friend approaches us, we want to help." Zhou explained that the large donations of grants, scholarships and material were simply "part of what China did" when it established relations with a country. Zhou maintained that China in turn could learn from Costa Rica's experience in the financial sector; in agriculture, especially in the production and export of fruits; and in managing the natural environment.

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. . . BUT IT IS MOSTLY ABOUT THE UN  
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¶15. (C) The MFA's Solano, former MFA Vice Minister (1998-2002) Elaine White, and Constantino Urcuyo of the think-tank "Center for Political Administration Research and Training" (CIAPA, Spanish acronym), all told us that the GOCR's recognition of China was calculated to help Costa Rica win a seat on the UN Security Council in October 2007 (as speculated Ref B). Solano told us that from the beginning of the Arias administration, President Arias and FM Bruno Stagno were concerned about the GOCR's "non-compliance" with the UNSC resolution recognizing the People's Republic of China as the sole representative of China in the UN. Costa Rica's continued recognition of Taiwan, Solano candidly noted, would have been a problem since the GOCR wanted a UNSC seat. Urcuyo and Solano both pointed out that China helped arrange FM Stagno's tour of 16 African countries in 14 days before the UNSC election to garner votes for Costa Rica. Urcuyo added that Stagno initiated contact with China while in New York as UN Ambassador during the Pacheco Administration (2002-2006).

¶16. (SBU) According to Solano, White and Urcuyo, Taiwan had lost prestige in Costa Rica due to various scandals involving alleged Taiwanese payments to government officials, including to ex-President Miguel Angel Rodriguez (1998-2002) and questionable direct funding of some of the MFA's operations. These scandals generated the image domestically that Costa Rica was in a trade-off, selling its support to Taiwan.

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VISIBILITY, EGO (AND US RELATIONS) PLAY A ROLE  
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¶17. (C) White told us the UNSC seat was a means by which Arias sought to regain visibility on the world stage, alluding to his 1986-1990 first term as President when he won the Nobel Peace Prize for his work to end the wars in Nicaragua and El Salvador. She said this Arias Administration had followed a foreign policy based on systematically removing what it viewed as the GOCR's international "handicaps," which included winning a UNSC seat, recognizing Palestinian statehood (Ref E), and shifting allegiance from Taiwan to China. Additionally, White said that when Arias took office, he wanted to "restore dignity" to Costa Rica's international image and foreign policy. Opening up to China reflected Arias' "multilateralist" interests; in his second presidential term, White noted, Arias seemed far more interested in the UN and global issues than engagement in Central American politics.

¶18. (C) White suggested that Costa Rica's historic "close relationship" with the U.S. had weakened over the past few years and was a contributing factor in the decision to establish ties with China. She speculated that reaching out to China could have represented a "realpolitik" move to garner support and assistance from another great power. Noting that Costa Rica had been a "favorite son" of the U.S. in the past, White said El Salvador had replaced Costa Rica as the "favored one" in the region with its political and military support of the U.S. in the war in Iraq. Furthermore, El Salvador's eventual leading role in CAFTA negotiations far outshined Costa Rica's plodding and painful path to ratification and implementation.

¶ 9. (C) Urcuyo (a well-known critic of the president) believed that Arias' larger-than-life ego played a major role in the decision to recognize China in two ways. First, Urcuyo described Arias using a metaphor proffered by a local journalist: "If he goes to a christening, he wants to be the baby; if he goes to a wedding, he wants to be the bride; and if he goes to a funeral, he wants to be the deceased." Urcuyo commented that Arias liked to do what is modern and fashionable, and therefore, "if China appeared on the cover of 'The Economist' twice" and the newest wave was that China was where the action was, then Arias had to jump on that wave.

¶ 10. (C) Second, Arias' relentless struggle to get CAFTA approved domestically, Urcuyo said, alienated Arias' former intellectual leftist comrades, who saw his pro-CAFTA stance as "abandoning" his socialist roots. By establishing relations with "communist" China (a country that has little in common with Costa Rica in terms of its human rights record, its one-party structure, and its repression of freedom of expression), Arias could return to the good graces of the leftist Costa Rican elites.

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THE BUSINESS OF CHINA AND COSTA RICA IS BUSINESS  
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¶ 11. (C) Driving the Costa Rican business sector to support Chinese recognition, White said, was the realization that Costa Rica was losing economic ground by its lack of ties with China. CIAPA's Urcuyo noted that Arias' appointment of Antonio Burgues, a prominent banker and investor, as Ambassador to Beijing, evidenced the economic and business aspects of the recognition. (COMMENT: Burgues' closeness to Arias, and his past record as treasurer for the President's PLN party didn't hurt, either. END COMMENT.)

¶ 12. (SBU) According to Solano, China is Costa Rica's second largest market for exports, primarily in microchips (from INTEL) and agricultural products. Costa Rica also plans to "culturally" develop a market for Costa Rican coffee in China and hopes that access to the 1.3 billion-person market will help Costa Rica develop other industries. Solano hoped that ties to China could serve as a platform for Costa Rica to gain entry into APEC someday.

¶ 13. (SBU) As for benefits to Beijing, Solano said that China could use Costa Rica as a base against Taiwan in Central America and to build bridges to other countries in the region. Though not in Central America, Solano pointed to Paraguay as a country that was about to follow Costa Rica's lead in switching allegiance from Taiwan to the PRC. Marco Vinicio Ruiz, Minister of Foreign Trade (COMEX) and Emmanuel Hess, manager of PROCOMER, a Costa Rican export assistance agency, commented in a May 13 newspaper article in "La Republica" that they saw Costa Rica well-positioned as a platform for Chinese business operations in North and South America -- a "center of operations from which China could tend to markets in other latitudes of the continent." Hess went so far as to claim that Costa Rica "offers access to markets, which benefits China, a country that does not yet have a FTA with the U.S. which we are going to have; China needs to confer origin through a country that has an FTA with the U.S. and with which China already has commercial relations."

¶ 14. (SBU) However, Chinese Embassy attach, Zhou downplayed that analysis and told us that China already has good trade relations with the U.S., Mexico, and many other countries in South America, including Brazil and Argentina. He added that China had an FTA with Chile and was negotiating one with Peru. In terms of trade for China in the region, Zhou noted, Costa Rica was about 9th or 10th place (COMMENT. UN data for 2007 ranked Costa Rica as China's thirteenth largest export market (USD 567 million) in Latin America. END COMMENT.)

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FTA AND APEC DREAMS

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¶15. (SBU) A China-Costa Rica free trade agreement (FTA) remains on the horizon. While Vice Premier Hui Liangya was in Costa Rica in May, Costa Rican COMEX officials were in Beijing for the second round of talks on developing a FTA. Attach, Zhou said several "technical matters" were being discussed. COMEX Minister Marco Vinicio Ruiz traveled to China the week of May 5 and discussed the upcoming July conclusion of a feasibility study on the mechanics of launching formal FTA negotiations. The study began in January and has been a joint Costa Rican-Chinese effort, with participants exchanging views on how to proceed with a formal agreement.

¶16. (C) According to COMEX Director General Gabriela Castro, Ruiz's Chinese trip in May included a stop-over in Singapore to meet with the Secretariat of APEC. Castro told us the GOCR was keen on joining APEC and learned that it was "first on the list" to join in 2010 (Ref C).

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WHAT ELSE MIGHT LIE AHEAD?

¶17. (C) White supported the decision, and its timing, to recognize China. However, it remained unclear to her and others what China wants from Costa Rica and if the Chinese largesse which flowed freely during the last year is a one-time deal. White and Urcuyo believed China's major interests in establishing formal ties with Costa Rica were to advance de-legitimization of Taiwan (and reunification of China), followed closely by the ability to use Costa Rica as a political and business base to gain entry into other Central American countries. Chinese Ambassador Wang Xiaoyuan discussed these motives freely in a May 20 "La Prensa Libre" newspaper article.

¶18. (C) Though some Costa Ricans boast that Costa Rica was the first country in Central America to establish diplomatic relations with China, Chinese attach, Zhou reminded us that Daniel Ortega, in his first presidential term in Nicaragua, established relations with the PRC in 1985. However, Violeta Chamorro severed those ties when she took office in 1990. Zhou confirmed that there "had been talks" with Nicaragua and that "the door was open" to resume relations. (COMMENT: Not being trumped by Ortega's re-recognition of China in this administration may have colored the accelerated timing of the GOCR's recognition, see Ref B.)

¶19. (C) During Vice Premier Hui Liangya's May visit to San Jose, Solano said, talks covered future cooperation on environmental protection. He noted that representatives from INBIO (Costa Rican Institute for Biodiversity) would visit China soon to discuss the use of fossil and other types of fuels, research on natural medicinal substances, management of caves and rivers, forestry development, and protection of species. Additionally, Costa Rica would symbolically donate back some of the blankets and tents provided by China for victims of last year's flooding in Costa Rica, part of the \$20 million of assistance (Ref D), to victims of China's recent earthquake.

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WHAT ELSE IS IN IT FOR CHINA?

¶20. (C) Urcuyo described the GOCR's recognition of China as a "symbolic reward" for China, which now had support from a global leader on human rights, Costa Rica. He speculated that Costa Rica would have to "pay back" China in some fashion for help with the UNSC seat, but he did not believe that China would try to dictate the GOCR's votes in the UN. (NOTE: However, twice in delivering recent demarches on Burma, MFA staff asked PolOff what China's position was on the issue).

¶21. (C) The MFA's Solano himself stated that although there

are divergences between the two countries on human rights matters, they do have common ground to discuss political and economic strategy. Solano noted an air of "cooperation and exchange" with China in the UNSC and said that that the dialogue between the two is even more "fluid" in New York than in San Jose.

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IF CHINA, WHY NOT CUBA?  
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¶22. (C) On Cuba and human rights in general, White pondered what the GOCR's recognition of China could mean for its relations with Cuba. She noted that Costa Rica could not now easily differentiate between Cuba and China, adding "if both have the same problem with human rights, what is the excuse for establishing relations with China and not with Cuba?" Though White doubted the GOCR's Cuba policy would change soon, due to Arias' personal strong antipathy for Castro and the regime, establishing relations with China could pave the way for further changes in GOCR foreign policy. (NOTE: PLN Legislator Federico Tinoco told us on June 6 that increased overtures from the Arias Administration towards Cuba were a possibility.)

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COMMENT  
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¶23. (C) Costa Rica's relationship with China seems to be paying off, both domestically and internationally, for the Arias Administration. China's assistance packages totaling nearly \$100 million the first year (which includes disaster and humanitarian assistance, a new national stadium, and a financial shot in the arm to the Central Bank) have certainly helped fill some gaps in U.S. assistance, including in law enforcement (the patrol cars) and traditional USAID development areas.

¶24. (C) What remains to be seen for Costa Rica is the price that China could expect for its support in the UNSC and aid packages. Although we have not seen any overt pressure from the Chinese, there has been no official outcry in Costa Rica to address China's poor human rights record, recently highlighted by extensive coverage of Tibetan separatism. Additionally, there has been no fuss over China's limited military assistance to Sudan. Given the GOCR's unusually vocal support for the Palestinians (on the basis of human rights, among other issues), the Arias administration's silence over these two issues has been notable.

¶25. (C) Practically speaking, China has now become one of Costa Rica's major donors and we intend to include the Chinese on future "Mini-Dublin" meetings that we host at least once a year. Although we do not see China's "entry" into Costa Rica as an end of U.S. influence in the region, it does highlight that we are not the only (nor the most generous) player in town.

CIANCHETTE